

# The resurgence of Can-Am liberalism: A study in ambiguity

## THE NEW LIBERALISM

The global economic crisis, combined with the election of Barack Obama, has led to increased interest in the possibility of a resurgent progressive liberalism in the United States. This liberalism calls for a more engaged public sphere working with civil society to promote citizen engagement and a renewed social contract. Canadians, inspired by Obama's meteoric rise, are demanding similar leadership from Prime Minister Stephen Harper. In both countries, it is hoped that this renewed liberalism will overcome the democratic deficit and reduce socioeconomic inequality produced by two decades of neo-liberal policies of regressive taxation, deregulation, and privatization that benefited relatively few.

However, recent actions suggest that if there is a return to a more progressive liberalism, the lead will come from the United States. While many Canadians see themselves and their governments as more "progressive" than Americans and their governments, Obama's early actions on pay equity, union rights, the environment, and of course on economic stimulus, challenge this claim. The Harper government claims that its actions are an adequate response to crisis, but a closer examination suggests otherwise. Moreover, the fact that the main federal opposition, Michael Ignatieff's Liberals, supported the budget, did not address its many weaknesses, and, indeed, have been vocal deficit hawks, suggests that the return to progressive liberalism in Canada may yet again be forestalled.

## YES WE CAN!

Obama's victory was a product of the widespread discontent over the damaging economic and social policies of the Bush era. In particular, George W. Bush's tax cuts disproportionately benefited the

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wealthy at a time when a growing number of middle- and lower-class Americans were struggling, and many were losing their homes. The 2003 invasion of Iraq squandered a large reserve of goodwill that the United States had accumulated following the September 11, 2001 terrorist attacks. By 2008, global anti-Americanism was at record heights, and many Americans longed for a return to a more idealistic foreign policy in which America reflects positive democratic ideals.

The Obama victory was fuelled by the promise of *significant*, and not simply rhetorical, change. Obama's slogan, "Yes we can!," was more than a political tool—it reignited a public desire for change that had long lain dormant. The American public expressed a strong desire for a more progressive American

agenda in areas like health care, tax reform, infrastructure, the environment, and foreign policy.

Although less dramatic, Canadians have expressed a similar desire for a more progressive agenda; however, their governments often have not delivered. Since the election of the Chrétien Liberals in 1993, Canadians have heard politicians offer platforms that supposedly promoted Canadian values of equality and social progress. Despite a rhetoric of infrastructure development, the Liberals emphasized economic individualism and a retrenchment of the state's economic role. Debt reduction and tax cuts were the key economic actions, to the detriment of social policy, notably education and health care, which polls repeatedly showed Canadians desired as a first priority. Not surprisingly, socioeconomic inequality, contrary to the political rhetoric, increased during the 1990s and into the new century.

The Harper government, first elected in 2006, continued this orientation, emphasizing tax cuts and tax credit changes and a law and order agenda that are largely outside the Canadian consensus. They squandered significant budget surpluses with a two-point cut to the GST and non-strategic spending that reflected political considerations and a desire to hamstring the federal government's ability to act in the future. Only after the proposed coalition of opposition parties threatened to defeat his government did Mr. Harper muse publicly about stimulus measures designed to weather the economic storm.

Both publics have largely rejected the failed policies of the neo-liberal era and are supportive of *meaningful* stimulus packages. They do not want government spending for the sake of appearing to do something. They want their governments to combine immediate economic relief and short-term stabilization with a longer-term strategy that addresses the

challenges of global warming, deindustrialization, and social equity.

## CAN WE? WILL WE?

However, a cautionary note is required. As we know, nobody gets their hopes dashed more rapidly than progressives when their party takes power or when conditions are ripe for significant policy change. The timid economic strategy of the Bob Rae NDP government in Ontario and Bill Clinton's neo-liberal agenda (cutting social entitlements, introducing workfare, economic deregulation that contributed to the current crisis) remind us that rhetoric and public perceptions do not necessarily translate into action.

In this sense, Obama's initial actions have been mixed. On the one hand, he has sent clear messages that he will promote equity issues, as seen in his first piece of legislation, the *Fair Pay Act*. He has also sent signals that green technologies and tougher environmental standards will be promoted. On the other hand, Obama has appointed Clinton administration veterans like Larry Summers to key economic portfolios. Of course, the Clinton administration enabled the deregulatory policy environment that contributed to the current crash. Former Federal Reserve chairman Paul Volcker, whose tight money campaign amplified the recession of the early 1980s, was also enlisted as an adviser.

Thus, while Obama has rhetorically emphasized change and action, he has already tried to lower expectations by emphasizing the severity of the crisis; this suggests that potentially costly initiatives on health care, social security reform, and the environment might be delayed. Debates over the size of the stimulus package and calls for much broader action from liberal economists like Paul Krugman and Robert Reich indicate that Obama may be doing just enough to placate the left. In other words, despite the theme of change, it very well could be politics as usual in DC.

## A BREAK WITH PAST POLICIES?

In Canada, despite much discussion of Stephen Harper abandoning his neo-

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liberal roots, the 2009 budget does not address key issues that promote social equity; indeed, the budget is likely to reinforce rather than challenge the neo-liberal policy tendencies of the past few decades. The total stimulus package is estimated to be \$32 to \$35 billion, barely meeting the internationally agreed stimulus target of 2 percent of GDP. However, final spending could be less, since much of this spending is contingent upon the provinces and municipalities offering matching funds. The government has also stated that this spending is a short-term, "one-off" initiative. The spending plans address numerous political and economic constituencies but, unlike Obama's stimulus plan, precious little (\$1 billion over five years) is for environmental plans or green infrastructure, and little money is dedicated to transforming the economy into a green, smart economy.

But what is most troubling is the large tax cuts included in the budget: \$20 billion in permanent income tax cuts and \$4.4 billion for business and payroll tax cuts. Planned corporate tax cuts will continue as scheduled. Harper's spending and his income tax and GST cuts produced a \$1 billion deficit for 2008-9, plus a \$15 billion *structural* deficit for 2009-10. The federal government anticipates deficits totalling \$84 billion over the next five years.

The combination of permanent tax cuts and large deficits suggests that Harper remains more interested in limit-

ing the state's ability to act as an economic partner than in redefining the state's role in order to reflect the desires of the public in changing economic conditions. Most of the spending will occur in the next two years, and the Conservatives hope that Canada will be out of the recession by then, with only the deficits remaining. Given that balanced budgets have become the norm in Canadian politics (with the Liberals leading the charge), and given the difficulty of campaigning on tax *increases* to restore lost revenues, the only possible conclusion one can draw is that in a post-recession era, program review and more cuts to the state will be needed to balance the budget.

Moreover, social equity continues to be a target. Pay equity disputes, for example, will be returned to the collective bargaining process, effectively weakening current legislation. In addition, despite the professed concern for the unemployed and for those Canadians who might lose their jobs, the budget did not address employment insurance reform. It remains difficult to obtain, and waiting periods for benefits remain long in many parts of the country. This lack of concern was reflected in Minister Diane Finley's post-budget comments: "We do not want to make it lucrative for [unemployed workers] to stay home and get paid for it."

With the Liberal opposition accepting the budget without demanding any changes, it is clear that the Liberals are more interested in returning to power than in fundamentally reshaping the policy agenda.

## CAUTIOUS OPTIMISM

Thus, progressives on both sides of the border, while understandably buoyed by changes in political rhetoric promising more activist government, must remain cautious. They must remain vigilant and continue to pressure for change. Obama's message of hope has engaged many people, but if we have politics and *policies* as usual on both sides of the border, then their hopes will yet again be dashed. 